

ORIGINAL



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PIERCE PROPOSED AMENDMENT # 1

DATE PREPARED: March 25, 2011

Arizona Corporation Commission

DOCKETED

MAR 28 2011

COMPANY: Bella Vista Water Company, et. al.

DOCKETED BY

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DOCKET NOS: W-02465A-09-0411, W-20453A-09-0412, W-20454A-09-0413,
W-02465A-09-0414, W-20453A-09-0414, and W-20454A-09-0414

OPEN MEETING DATES: March 29 & March 30, 2011

AGENDA ITEM: U-14

Page 47, Line 6:

DELETE line 6 beginning with "and are appropriately deducted . . ." through line 21 ½ and
INSERT:

"only after they have been expended for plant because the Company does not, and cannot, utilize HUF funds for any other purpose. We recognize, as RUCO points out, that this is a departure from Commission precedent on this issue dating back to the Johnson Utilities case^{fn1} and the UNS Electric case.^{fn2} However, we cannot escape the conjunctive use of the word "and" in the NARUC definition of CIAC. To be CIAC, (1) "money, services, or property" must be received from a third party at no cost to the utility and, (2) it must be utilized to offset the "acquisition, improvement or construction of the utility's property" that is providing utility services to the public. To hold that HUF funds are CIAC, prior to their utilization by the utility, would ignore the plain language of § 217.

"More importantly, our finding in this regard is supported by logic and good public policy. The reason we subtract CIAC from rate base is to prevent a utility from unjustly earning a rate of return on plant that was contributed to the utility. Accordingly, HUF funds should be subtracted from rate base after they have been expended on plant (i.e., after they are used for providing utility service to the public). Subtracting HUF funds from rate base prior to their being expended on plant unjustly prevents a utility from earning a rate of return on plant that was financed by the utility.

"Consequently, the proposed HUF Tariff is approved and is authorized to apply in the consolidated service area."

Conforming changes.

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DOCKET CONTROL
AZ CORP COMMISSION

^{fn1} Decision No. 60223 (May 27, 1997)

^{fn2} Decision No. 70011 (November 27, 2007)

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THIS AMENDMENT:			
_____ Passed _____	Passed as amended by _____		
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____	

RECEIVED